

**17 May 2023**

## **HALF YEAR RESULTS**

(For the 28 weeks ended 8 April 2023)

### **Highlights**

- Strong like-for-like sales<sup>a</sup> growth of 8.5% versus HY 2022, built on volume growth in both food and drink
- Costs remain a challenge but medium-term cost outlook is now improving
- Capital investment and Ignite programme continue to drive sales growth and cost efficiencies

### **Reported results**

- Total revenue of £1,282m (HY 2022 £1,159m)
- Operating profit of £99m (HY 2022 £121m)
- Profit before tax of £40m (HY 2022 £57m)
- Basic earnings per share of 5.4p (HY 2022 7.7p)

### **Trading results**

- Adjusted operating profit<sup>a</sup> £100m (HY 2022 £120m)
- Adjusted earnings per share<sup>a</sup> 5.5p (HY 2022 7.6p)

### **Balance sheet and cash flow**

- Cash inflow before bond amortisation of £10m (HY 2022 inflow £22m)
- Cash balances on hand of £142m at half year end (HY 2022 £194m) with undrawn unsecured committed financing facilities of £150m to February 2024
- Net debt<sup>a</sup> reduced to £1,193m (HY 2022 £1,253m), excluding £467m of IFRS 16 lease liabilities (HY 2022 £483m)

Phil Urban, Chief Executive, commented:

“We are pleased to report a strong first half performance delivering continued like-for-like sales<sup>a</sup> growth and outperformance<sup>b</sup> against the market.

The trading environment for the hospitality sector remains challenging with inflationary costs putting pressure both on the industry’s margins and disposable income of our guests. However, we are encouraged by the resilience of trade to date, including the most recent six weeks at 8.9% like-for-like sales<sup>a</sup> growth, and also by early signs of the medium-term cost outlook improving.

We remain focused on our Ignite programme of initiatives and our successful capital investment programme, driving cost efficiencies and increased sales. Combined with our diverse portfolio of established brands, value proposition, enviable estate locations and talented people, we believe we are well positioned to continue to outperform the sector<sup>b</sup>.

**Definitions**

a – The Directors use a number of alternative performance measures (APMs) that are considered critical to aid the understanding of the Group’s performance. APMs are explained later in this announcement.

b – As measured by the Coffey Peach Business Tracker.

There will be a presentation held today at 9:00am accessible by phone on 020 3936 2999, access code: 388030 and at <https://www.netroadshow.com/events/login?show=b62bae44&confid=50883> The slides will also be available on the website at [www.mbplc.com](http://www.mbplc.com) The replay will then be available at <http://www.mbplc.com/hy2023/analystspresentation>

All disclosed documents relating to these results are available on the Group’s website at [www.mbplc.com](http://www.mbplc.com)

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**Note for editors:**

Mitchells & Butlers is a leading operator of managed restaurants and pubs. Its portfolio of brands and formats includes Harvester, Toby Carvery, All Bar One, Miller & Carter, Premium Country Pubs, Sizzling Pubs, Stonehouse, Vintage Inns, Browns, Castle, Nicholson's, O'Neill's and Ember Inns. In addition, it operates Innkeeper's Collection hotels in the UK and Alex restaurants and bars in Germany. Further details are available at [www.mbplc.com](http://www.mbplc.com) and supporting photography can be downloaded at [www.mbplc.com/imagelibrary](http://www.mbplc.com/imagelibrary).

## **CURRENT TRADING AND OUTLOOK**

We have been encouraged by the strength of trading throughout the first half of the year with the return to office working continuing, city centres becoming stronger, tourist numbers recovering and guests across the country continuing to enjoy the hospitality sector. This has continued since the period end with trading over the past six weeks, including the benefit of the Easter weekend in both years and all at full rates of VAT, delivering like-for-like sales<sup>a</sup> growth of 8.9%. This gives us optimism for the future, although we continue to remain mindful of the cost-of-living challenge facing our guests.

There are indications that cost inflation headwinds across the supply chain are starting to abate, although they continue to present a challenge in the near-term. Energy prices have fallen back materially from earlier market highs and early evidence suggests that cost increases in other areas, notably food, will soon start to slow. Our cost guidance for the current year remains in line with that previously announced as we anticipate an inflationary cost headwind across our c.£1.8 billion cost base at the lower end of the 10-12% range before mitigation. We continue to work hard to mitigate as many of these pressures as we can through both driving sales growth and identifying and implementing cost efficiencies. This should allow margins to start to rebuild towards pre-covid levels.

Therefore, whilst the environment remains challenging, we are pleased with the momentum the business carries into the second half of the year. This provides confidence that we are tracking ahead of management's previous expectations in both the short and the medium term.

## **BUSINESS REVIEW**

Total sales across the period were £1,282m reflecting 10.6% growth on HY 2022, supported by increases in both volume and spend per head. Like-for-like sales<sup>a</sup> increased by 8.5%. Operating profit of £99m (HY 2022 £121m) was generated, with adjusted operating profit<sup>a</sup> of £100m. Prior year figures include £53m of government support initiatives, including £43m benefit from the temporary reduction in the rate of VAT on food and non-alcoholic drink sales.

We made a strong start to the year with like-for-like sales<sup>a</sup> growth of 6.5% over the first ten weeks, primarily driven by drink sales growth. As expected, growth significantly increased in the final five weeks of the first quarter due principally to last year being impacted by the emergence of the Omicron variant which resulted in a downturn in activity across much of the festive season. Like-for-like sales<sup>a</sup> for the quarter were up 10.4% against FY 2022.

Sales remained resilient through the second quarter with strong performances on key trading dates and from our drink-led, city centre pubs, especially in London, that are benefitting from a further return of office working and tourists visiting. Across the quarter, we recorded like-for-like sales<sup>a</sup> growth of 6.4%, comprising drink sales growth of 9.9% and food sales growth of 5.2%.

Against FY 2019, like-for-sales<sup>a</sup> grew 9.7% over the first half, with growth driven by spend-per-head as volumes remain below pre-Covid levels.

Comparing our sales performance versus the wider market, we are currently outperforming the Coffey Peach tracker by between 2-3% on like-for-like sales<sup>a</sup> each month.

The uncertainty and cost challenges the industry has faced has had an unavoidable impact on market supply with a 4.3% net decline in pubs and restaurants in the year to March 2023 and a 12.0% net decline since the start of the Covid-19 pandemic in March 2020 (CGA Outlet Index April 2023). Independent and tenanted businesses have made up the substantial majority of the net closures. Given our strong estate and portfolio of brands, we believe that we are well placed to continue to benefit from these changes in the competitive landscape.

## OUR STRATEGIC PRIORITIES

The fundamental strengths of our business provide a strong platform for the future. We have an 83% freehold and long leasehold estate, with recognised and diversified brands across a broad range of consumer occasions, demographics and locations, and an experienced and proven management team. We remain focused on the strategic pillars which formed the foundations of our strong performance both before and after the pandemic, and which are equally relevant to the current trading environment. Our priority is to grow the business back to, and beyond, the levels of profit that we were achieving before Covid-19 and the war in Ukraine.

We provide value for money to our guests, working hard to protect entry level items where we can and introducing more premium trade-up options. We regularly assess prices across the market and respond accordingly. The benefit of our size and scale, our ability to continue to invest in our capital programme and the mitigation generated through Ignite allow us to use pricing tactically and to remain competitive. This, combined with market-beating guest net sentiment scores, leaves us well-positioned for further market share gains.

Our Ignite programme of work remains at the core of our long-term value creation plans and we are working on a large number of fresh initiatives, alongside those already implemented in the business. We continue to focus particularly on margin additive initiatives which improve efficiency and productivity, such as through better labour scheduling, cost-mitigating procurement strategies and energy consumption reduction.

Following successful trials, the auto-scheduling project has now been fully rolled out across the estate. This assists our site managers by producing automatically generated team member rosters to help ensure we have the right people on shift at the right time, to drive sales at peak times and reduce costs at quieter times. Based on encouraging early results, we believe there is significant further opportunity over the second half and into FY 2024.

We have now completed the installation of voltage optimisers into the majority of the estate and we have achieved c.6% electricity consumption reductions as a result. Our trained energy ambassadors have completed another round of energy audits and further trials of internet-connected control devices to lower electricity and gas consumption have begun.

Alongside efficiency improvements, we have a number of projects focused on sales growth and one of the most exciting new Ignite workstreams launched in the first half is focusing on further driving a 'sales and volume culture' across the organisation, including each site, district and brand targeting select products each quarter, to maximise incremental sales. We remain confident in our ability to deliver long-term sustained business improvements and efficiencies through the Ignite programme.

Success in hospitality is inextricably linked to customer satisfaction, with the correlation between superior guest review scores and stronger like-for-like sales irrefutable. Strengthening these scores remains a key focus throughout the organisation, from frontline team members through to the Board. Scores over recent months have been encouraging, especially in the context of the cost pressures our guests are facing which means, more than ever, every guest experience has to delight. We have risen to that challenge, renewing our guest focus with Ignite projects such as Guest Obsessed, where functional experts support our frontline teams with targeted training. We have brands now regularly scoring 4.5 or above out of 5.0 and, as a collective, we are outperforming our defined market on guest satisfaction.

We are continuing to invest in our digital strategy which focuses on building organisational capabilities to allow for quick activation of new digital services as consumer behaviours change, allowing us to be at or near the forefront of advances in the sector. In recent months we have completed the deployment of automated stock replenishment across our businesses, whilst launching a prep-and-par system which supports team members in identifying what food to prepare each day based on site specific trading patterns. Within the e-commerce arena, a variety of enhancements have been made to enrich our online booking and ordering services, for example a new Innkeepers Collection booking website, the acceptance of new payment methods on our order-at-table platform and a streamlined app registration experience

within Browns. We remain committed to progressing projects that strengthen data-driven decision-making across the organisation.

Our capital programme is building and delivering significant value by improving the competitive position of our pubs and restaurants within their local markets. Over the first half, we have completed 90 investment projects comprising 81 remodels, 3 conversions and 6 acquisitions. We are continuing to see strong performances from our investment projects. The conversion programme includes the trial of Browns in suburbia, stretching the brand beyond its usual high street location. The first trial site opened in August 2022 and the second opened in December 2022, with both sites performing strongly. We are also keen to take advantage of new opportunities as they arise including opening a new Browns restaurant within a Marriott hotel in Cardiff in February 2023 and a new Innkeepers Collection lodge and Miller & Carter in Sheffield in April 2023. Arrowsmiths, our new competitive socialising darts concept, is now established within two O'Neill's sites, Solihull and Watford, and providing a strong return from secondary space.

In August 2018, we acquired an initial 40% stake in 3Sixty Restaurants Limited, owners of Ego Restaurants, and we will acquire the remaining 60% in June 2023. Ego is a collection of Mediterranean inspired pubs and restaurants where guests can enjoy freshly cooked food, cocktails, cask ales and wine from across the continent. We have built a good rapport with the Ego team, grown our understanding of their business and witnessed their impressive trading record. Ego currently has 26 sites, including 16 that are leased from Mitchells & Butlers, and c.1,000 employees. We currently foresee scope for c.20-30 conversions using the Ego format over the next three to five years.

## **PEOPLE**

Our people are fundamental to the delivery of great experiences for our guests. The recruitment challenges facing many industries are well-documented and the hospitality industry as a whole has been disproportionately impacted by labour shortages in recent years. Our overall employee numbers recovered to pre-pandemic levels towards the end of FY 2022 and have stabilised through the first half of the current year. Whilst the recruitment landscape remains challenging, in particular for kitchen teams, the market is returning to a more normal pattern with greater numbers of vacancy applications being received. Team turnover has now started to trend downwards and, whilst still well above pre-pandemic levels, this is encouraging as stable teams are crucial to the delivery of high quality guest experiences. It is also very encouraging to see that employee engagement scores remain at very high levels. Growing and developing our own talent internally has never been more important and we have had over 2,500 apprenticeship starts over the last 12 months. We are delighted that our apprentice programmes were recognised at the 2023 learning excellence awards winning the retail, hospitality, sports and leisure category.

## **SUSTAINABILITY**

We are committed to reducing the environmental impact of our business and the Board has challenging targets to drive continued momentum in this area. We have committed to:

- Net Zero emissions by 2040, including scope 1, 2 and 3 emissions; we submitted our roadmap to net zero for Science Based Target Initiative approval in March 2023. We are founding members of the Zero Carbon Forum and are committed to playing our part in decarbonising the hospitality industry as a whole.
- Zero operational waste to landfill by 2030; we have made strong progress in this area in recent years and currently divert 97% of operational waste away from landfill. We have underpinned this ambition with a recycling rate target of 80% over the same period.
- 50% reduction in food waste by 2030; aligned with the UN Sustainable Development Goals we will halve food waste in our supply chain and in sites by 2030.

We have a number of initiatives underway to support these ambitions. Food emissions are the largest contributor to our carbon footprint and we are collaborating with suppliers to reduce product specific emissions and formulate menus with lower-emission dishes, as seen in All Bar One and Harvester. We are

developing a transition plan to remove gas from our businesses through the electrification of our kitchens, continue to examine alternative heating solutions such as ground source heat pumps and trials of onsite renewable energy generation using solar panels begin in the second half of this year. We have reduced electricity consumption through the installation of voltage optimisers across the majority of the estate in the first half of this year, and we also have an established kitchen refurbishment programme which has saved over 1,400 pieces of kitchen equipment from going to landfill since its inception.

Our sustainability strategy also has a strong focus on the positive impact we have on people and communities. We are committed to enhancing the wellbeing of our own people, and we have an established nutritional strategy aiming to provide balanced choices and information to guests. We work with Fareshare and Too Good To Go, through whom we have now saved over one million meals from going to waste, and we also have charitable partnerships with Shelter and Social Bite through which we are helping to tackle the issue of homelessness in the UK.

Mitchells and Butlers was delighted to be voted 'Best Sustainable Pub Company' at the 2023 Publican Awards, endorsing the good progress we have made in this area.

## FINANCIAL REVIEW

On a statutory basis, profit before tax for the half year was £40m (HY 2022 £57m), on sales of £1,282m (HY 2022 £1,159m).

The Group Income Statement discloses adjusted profit and earnings per share information that excludes separately disclosed items to allow a more effective comparison of the Group's trading performance from one period to the next. Separately disclosed items are those which are separately identified by virtue of their size or nature.

	Statutory		Adjusted <sup>a</sup>	
	HY 2023	HY 2022	HY 2023	HY 2022
	£m	£m	£m	£m
Revenue	1,282	1,159	1,282	1,159
Operating profit	99	121	100	120
Profit before tax	40	57	41	56
Earnings per share	5.4p	7.7p	5.5p	7.6p
Operating margin	7.7%	10.4%	7.8%	10.4%

At the end of the period, the total estate comprised 1,717 sites in the UK and Germany of which 1,645 are directly managed.

### Revenue

Total revenue of £1,282m (HY 2022 £1,159m) reflects a strong period of trading, albeit somewhat disrupted by industrial action on national transport systems. As expected, the first half was boosted by the comparative period last year being adversely impacted by the emergence of the Omicron variant which resulted in a downturn in activity across much of the festive season. However, prior year figures also include government support, as detailed later in this statement.

Sales comparisons unless otherwise stated are to the same period in FY 2022.

Like-for-like sales<sup>a</sup> in the first half increased by 8.5%, comprising an increase in like-for-like food sales<sup>a</sup> of 5.8% and of like-for-like drink sales<sup>a</sup> of 12.8%, with both food and drink volumes in growth.

Like-for-like sales<sup>a</sup>:

	Wks 1–15 Q1	Wks 16–28 Q2	Wks 1–28 H1
Food	6.4%	5.2%	<b>5.8%</b>
Drink	15.5%	9.9%	<b>12.8%</b>
<b>Total</b>	<b>10.4%</b>	<b>6.4%</b>	<b>8.5%</b>
<i>Total excl. FY 2022 VAT benefit</i>	15.1%	10.3%	12.8%

Against FY 2019, like-for-like sales<sup>a</sup> growth across the first half was 9.7%.

The strength of recent trading is best represented across the six weeks from 2 April, including the Easter weekend in both years and all with full rates of VAT in force, during which like-for-like sales grew by 8.9%. For purely the five weeks since the period end, like-for-like sales<sup>a</sup> were lower at 6.9%, reflecting the mismatch of Easter between the two years.

### Separately disclosed items

Separately disclosed items are identified due to their size or nature to help the reader form a view of overall and adjusted trading.

There was a £1m separately disclosed item in the period. £19m has now been received from HMRC relating to VAT on gaming machine income for the period 2005 to 2012. An estimate of £20m for the amount receivable was previously recognised in the 52 weeks ended 25 September 2021.

### Operating profit and margins<sup>a</sup>

Adjusted operating profit<sup>a</sup> for the first half was £100m (HY 2022 £120m), a decrease of 16.7% on HY 2022.

Statutory operating margin of 7.7% was 2.7ppts lower than last year.

Despite a strong sales performance, operating profit and margin were lower overall than HY 2022 due primarily to government support in the prior year and high cost inflation across the supply chain, particularly in the areas of energy, wages and food costs.

We now anticipate an aggregate cost headwind for this year to be at the lower end of the 10-12% range previously quoted on our cost base of c.£1.8 billion. We are working very hard to mitigate as much of the impact of these cost increases as we can, both through driving sales growth and through identifying and implementing further cost efficiencies, all executed under our Ignite programme of work.

### Government Support

Following the outbreak of the Covid-19 global pandemic in early 2020 and the subsequent enforced closure of the business, we received a number of different areas of support from both local and central Government in the UK and in Germany. Over the comparative period in HY 2022, Government support of £53m was received. Principally, the Group benefitted from a reduction in the rate of VAT from 20% to 5% on non-alcoholic sales which was introduced by the UK Government on 15 July 2020 and continued until 30 September 2021. Following this a rate of 12.5% applied for the subsequent six months until 31 March 2022. The estimated impact of this on food and drink revenue in the comparative period in HY 2022 is £43m. Other support comprised Local Authority Grants £3m, business rates relief £5m, grants for loss of profits in Germany £1m and apprenticeship incentives £1m.

## Interest

Net finance costs of £58m (HY 2022 £63m) for the half year were £5m lower than the same period last year, with annual amortisation reducing the value of securitised debt.

The net pensions finance charge was £1m (HY 2022 £1m). The charge for the full year is expected to be £3m.

## Earnings per share

Basic earnings per share, after the separately disclosed items described above, were 5.4p (HY 2022 7.7p), adjusted earnings per share<sup>a</sup> were 5.5p (HY 2022 7.6p).

The basic weighted average number of shares in the period was 595m and the total number of shares issued at the balance sheet date was 597m.

## Cash flow

	HY 2023	HY 2022
	£m	£m
EBITDA before movements in the valuation of the property portfolio	168	191
Non-cash share-based payment and pension costs and other	4	2
<b>Operating cash flow before movements in working capital and additional pension contributions</b>	<b>172</b>	<b>193</b>
Working capital movement	27	2
Pension deficit contributions	(7)	(23)
<b>Cash flow from operations</b>	<b>192</b>	<b>172</b>
Capital expenditure	(98)	(58)
Net finance lease principal payments	(26)	(33)
Interest on lease liabilities	(11)	(11)
Net interest paid	(46)	(50)
Other	(1)	2
<b>Net cash flow before bond amortisation</b>	<b>10</b>	<b>22</b>
Mandatory bond amortisation	(57)	(54)
<b>Net cash flow</b>	<b>(47)</b>	<b>(32)</b>

The business generated £168m of EBITDA before movements in the valuation of the property portfolio.

The working capital movement of £27m in the first half was driven primarily by the following. Firstly, there was a £20m reduction in receivables due to the receipt of cash in relation to an historic gaming machine VAT claim with HMRC. This was partially offset by £13m of main plan pension payments now paid into blocked escrow accounts and recognised within other receivables. Secondly, there was a £15m increase in the year-on-year VAT liability as a result of the reduced rate of VAT of 12.5% on non-alcoholic sales in the prior year, which returned to 20% in April 2022.

Capital expenditure was £40m higher than prior year (HY 2022 £58m). Supply issues in terms of material procurement, contractor availability and the timing on granting of planning consent have eased somewhat although they remain a limiting factor.

Before mandatory bond amortisation, cash inflow was £10m (HY 2022 inflow £22m). After mandatory bond amortisation of £57m (including net impact of currency swaps), cash outflow was £47m (HY 2022 outflow £32m).



## Capital expenditure

Capital expenditure of £98m (HY 2022 £58m, including £2m intangible assets) comprises £95m from the purchase of property, plant and equipment and £3m in relation to the purchase of intangible assets. Of the £95m spend, £58m relates to the completion of acquisitions, conversions and remodels with the balance being essential maintenance and infrastructure.

	HY 2023		HY 2022	
	£m	#	£m	#
<b>Maintenance and infrastructure</b>	<b>40</b>		<b>19</b>	
Remodels - refurbishment	45	81	24	57
Conversions	4	3	2	3
Acquisitions – freehold	8	4	13	3
Acquisitions – leasehold	1	2	-	-
<b>Total return generating capital expenditure</b>	<b>58</b>	<b>90</b>	<b>39</b>	<b>63</b>
<b>Total capital expenditure</b>	<b>98</b>		<b>58</b>	

The four freehold acquisitions comprise the purchase of two sites previously held as leasehold and two new sites.

As a result of supply chain issues noted above, we anticipate capital expenditure for the current year to be slightly lower than previously guided, at c.£175m.

## Pensions

As previously announced, the latest triennial valuation of the pension schemes, as at 31 March 2022, was completed earlier in the year with an improvement in the combined actuarial funding position to a marginal surplus (FY 2019: £293m combined deficit). All future contributions to be made by the company under the agreed recovery plan to September 2023 are now being paid into blocked escrow accounts.

## Net debt and facilities

Following the adoption of IFRS 16 in FY 2020, leases are now included in net debt<sup>a</sup>. Net debt<sup>a</sup> at the period end was £1,660m, comprised of £1,193m non-lease liabilities and lease liabilities of £467m (HY 2022 £1,736m comprised of £1,253m non-lease liabilities and lease liabilities of £483m).

In addition to the securitisation, the Group has a £150 million unsecured facility expiring in February 2024. Further details of existing debt arrangements and an analysis of net debt<sup>a</sup> can be found in Note 10 to the financial statements and at <https://www.mbplc.com/infocentre/debtinformation/>.

## Going Concern

After considering forecasts, sensitivities and mitigating actions available to management and having regard to risks and uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate within its borrowing facilities and covenants for a period of at least 12 months from the date of signing the financial statements. However, particularly given the requirement to refinance existing unsecured facilities which expire in February 2024, but also due to the prevailing uncertainty concerning sales and cost inflation, the Directors have concluded that a material uncertainty exists which may cast significant doubt over the Group's ability to trade as a going concern, in which case it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Accordingly, the financial statements continue to be prepared on the going concern basis but with material uncertainty on the Group's compliance with financial covenants and its liquidity. Full details are included in Note 1.

## **Director's responsibility statement**

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as required by DTR 4.2.4R and to the best of their knowledge gives a true and fair view of the information required by DTR 4.2.4R;
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 28 weeks and description of principal risks and uncertainties for the remaining 25 weeks of the year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

This responsibility statement was approved by the Board of Directors on 16 May 2023 and is signed on its behalf by:

Tim Jones  
Chief Financial Officer  
16 May 2023

## **Definitions**

a – The Directors use a number of alternative performance measures (APMs) that are considered critical to aid the understanding of the Group's performance. Key measures are explained later in this announcement.

b – As measured by the Coffey Peach Business Tracker.

**GROUP CONDENSED INCOME STATEMENT**  
for the 28 weeks ended 8 April 2023

	Notes	2023 28 weeks (Unaudited)		2022 28 weeks (Unaudited)		2022 52 weeks (Audited)	
		Before separately disclosed items <sup>a</sup> £m	Total £m	Before separately disclosed items <sup>a</sup> £m	Total £m	Before separately disclosed items <sup>a</sup> £m	Total £m
<b>Revenue</b>	3	<b>1,282</b>	<b>1,282</b>	1,159	1,159	2,208	2,208
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio		(1,114)	(1,115)	(970)	(970)	(1,836)	(1,836)
Share in associates results		1	1	1	1	1	1
Net profit arising on property disposals		-	-	-	1	-	1
<b>EBITDA<sup>b</sup> before movements in the valuation of the property portfolio</b>		<b>169</b>	<b>168</b>	190	191	373	374
Depreciation, amortisation and movements in the valuation of the property portfolio		(69)	(69)	(70)	(70)	(133)	(250)
<b>Operating profit</b>		<b>100</b>	<b>99</b>	120	121	240	124
Finance costs	5	(60)	(60)	(63)	(63)	(115)	(115)
Finance income	5	2	2	-	-	1	1
Net pensions finance charge	5,11	(1)	(1)	(1)	(1)	(2)	(2)
<b>Profit before tax</b>		<b>41</b>	<b>40</b>	56	57	124	8
Tax (charge)/credit	6	(8)	(8)	(11)	(11)	(17)	5
<b>Profit for the period</b>		<b>33</b>	<b>32</b>	45	46	107	13
<b>Earnings per ordinary share:</b>	7						
Basic		5.5p	5.4p	7.6p	7.7p	18.0p	2.2p
Diluted		5.5p	5.4p	7.6p	7.7p	18.0p	2.2p

a Separately disclosed items are explained and analysed in note 4.

b Earnings before interest, tax, depreciation, amortisation and movements in the valuation of the property portfolio.

All results relate to continuing operations.

**GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**for the 28 weeks ended 8 April 2023**

	<b>2023</b>	2022	2022
	<b>28 weeks</b>	28 weeks	52 weeks
Notes	<b>£m</b>	£m	£m
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
<b>Profit for the period</b>	<b>32</b>	46	13
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Unrealised loss on revaluation of the property portfolio	-	-	(187)
Remeasurement of pension liabilities	11 <b>36</b>	29	41
Tax relating to items not reclassified	6 <b>(9)</b>	(7)	32
	<b>27</b>	22	(114)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations	-	-	2
Cash flow hedges:			
- (Losses)/gains arising during the period	<b>(46)</b>	61	180
- Reclassification adjustments for items included in profit or loss	<b>29</b>	13	1
Tax relating to items that may be reclassified	6 <b>4</b>	(19)	(45)
	<b>(13)</b>	55	138
<b>Other comprehensive income after tax</b>	<b>14</b>	77	24
<b>Total comprehensive income for the period</b>	<b>46</b>	123	37

**GROUP CONDENSED BALANCE SHEET****8 April 2023**

		<b>2023</b>	2022	2022
		<b>8 April</b>	9 April	24 September
	<b>Notes</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>				
Goodwill and other intangible assets	8	15	13	14
Property, plant and equipment	8	4,235	4,450	4,194
Right-of-use assets	9	338	368	339
Interests in associates		7	6	6
Finance lease receivables		12	13	12
Other receivables	11	25	-	-
Deferred tax asset		4	3	4
Derivative financial instruments	12	32	35	56
<b>Total non-current assets</b>		<b>4,668</b>	<b>4,888</b>	<b>4,625</b>
Inventories		27	23	23
Trade and other receivables		88	58	90
Current tax assets		-	1	1
Finance lease receivables		1	1	1
Derivative financial instruments	12	4	-	4
Cash and cash equivalents	10	180	223	207
<b>Total current assets</b>		<b>300</b>	<b>306</b>	<b>326</b>
<b>Total assets</b>		<b>4,968</b>	<b>5,194</b>	<b>4,951</b>
<b>LIABILITIES</b>				
Pension liabilities	11	(1)	(41)	(42)
Trade and other payables		(457)	(352)	(408)
Current tax liabilities		(1)	-	-
Borrowings	10	(156)	(141)	(130)
Lease liabilities	9	(44)	(46)	(53)
Derivative financial instruments	12	(8)	(36)	-
<b>Total current liabilities</b>		<b>(667)</b>	<b>(616)</b>	<b>(633)</b>
Pension liabilities	11	(23)	(53)	(22)
Borrowings	10	(1,252)	(1,368)	(1,334)
Lease liabilities	9	(423)	(437)	(428)
Derivative financial instruments	12	(36)	(99)	(28)
Deferred tax liabilities		(365)	(383)	(354)
Provisions		(10)	(10)	(9)
<b>Total non-current liabilities</b>		<b>(2,109)</b>	<b>(2,350)</b>	<b>(2,175)</b>
<b>Total liabilities</b>		<b>(2,776)</b>	<b>(2,966)</b>	<b>(2,808)</b>
<b>Net assets</b>		<b>2,192</b>	<b>2,228</b>	<b>2,143</b>
<b>EQUITY</b>				
Called up share capital		51	51	51
Share premium account		357	357	357
Capital redemption reserve		3	3	3
Revaluation reserve		1,009	1,150	1,009
Own shares held		(5)	(4)	(5)
Hedging reserve		(33)	(101)	(20)
Translation reserve		15	13	15
Retained earnings		795	759	733
<b>Total equity</b>		<b>2,192</b>	<b>2,228</b>	<b>2,143</b>

**GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY**  
for the 28 weeks ended 8 April 2023

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Own shares held £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	<b>Total equity £m</b>
<b>At 25 September 2021 (Audited)</b>	<b>51</b>	<b>356</b>	<b>3</b>	<b>1,150</b>	<b>(3)</b>	<b>(156)</b>	<b>13</b>	<b>690</b>	<b>2,104</b>
Profit for the period	-	-	-	-	-	-	-	46	46
Other comprehensive income	-	-	-	-	-	55	-	22	77
Total comprehensive income	-	-	-	-	-	55	-	68	123
Share capital issued	-	1	-	-	-	-	-	-	1
Purchase of own shares	-	-	-	-	(1)	-	-	-	(1)
Credit in respect of share-based payments	-	-	-	-	-	-	-	2	2
Tax charge on share- based payments	-	-	-	-	-	-	-	(1)	(1)
<b>At 9 April 2022 (Unaudited)</b>	<b>51</b>	<b>357</b>	<b>3</b>	<b>1,150</b>	<b>(4)</b>	<b>(101)</b>	<b>13</b>	<b>759</b>	<b>2,228</b>
Loss for the period	-	-	-	-	-	-	-	(33)	(33)
Other comprehensive (expense)/income	-	-	-	(141)	-	81	2	5	(53)
Total comprehensive (expense)/income	-	-	-	(141)	-	81	2	(28)	(86)
Purchase of own shares	-	-	-	-	(1)	-	-	-	(1)
Credit in respect of share-based payments	-	-	-	-	-	-	-	2	2
<b>At 24 September 2022 (Audited)</b>	<b>51</b>	<b>357</b>	<b>3</b>	<b>1,009</b>	<b>(5)</b>	<b>(20)</b>	<b>15</b>	<b>733</b>	<b>2,143</b>
Profit for the period	-	-	-	-	-	-	-	32	32
Other comprehensive (expense)/income	-	-	-	-	-	(13)	-	27	14
Total comprehensive (expense)/income	-	-	-	-	-	(13)	-	59	46
Credit in respect of share-based payments	-	-	-	-	-	-	-	3	3
<b>At 8 April 2023 (Unaudited)</b>	<b>51</b>	<b>357</b>	<b>3</b>	<b>1,009</b>	<b>(5)</b>	<b>(33)</b>	<b>15</b>	<b>795</b>	<b>2,192</b>

**GROUP CONDENSED CASH FLOW STATEMENT**  
for the 28 weeks ended 8 April 2023

		2023	2022	2022
	Notes	28 weeks	28 weeks	52 weeks
		£m	£m	£m
		(Unaudited)	(Unaudited)	(Audited)
<b>Cash flow from operations</b>				
Operating profit		99	121	124
Add back/(deduct):				
Movement in the valuation of the property portfolio		-	-	117
Net profit arising on property disposals		-	(1)	(1)
Depreciation of property, plant and equipment	8	49	49	93
Amortisation of intangibles		2	2	4
Depreciation of right-of-use assets	9	18	19	36
Cost charged in respect of share-based payments		3	2	4
Administrative pension costs	11	2	2	4
Share of associates results		(1)	(1)	(1)
<b>Operating cash flow before movements in working capital and additional pension contributions</b>		<b>172</b>	193	380
Increase in inventories		(4)	(3)	(3)
Decrease/(increase) in trade and other receivables		1	(10)	(19)
Increase in trade and other payables		30	15	42
Decrease in provisions		-	-	(1)
Additional pension contributions	11	(7)	(23)	(44)
<b>Cash flow from operations</b>		<b>192</b>	172	355
Interest payments		(44)	(31)	(67)
Interest payments on interest rate swap		(6)	(19)	(33)
Interest receipts on cross currency swap		3	-	1
Interest payments on cross currency swap		(2)	-	(1)
Other interest paid – lease liabilities		(11)	(11)	(16)
Interest received		3	-	1
Tax paid		-	-	(2)
<b>Net cash from operating activities</b>		<b>135</b>	111	238
<b>Investing activities</b>				
Purchases of property, plant and equipment		(95)	(56)	(117)
Purchases of intangible assets		(3)	(2)	(5)
Net proceeds from sale of property, plant and equipment		(1)	2	1
Finance lease principal repayments received		1	1	3
<b>Net cash used in investing activities</b>		<b>(98)</b>	(55)	(118)
<b>Financing activities</b>				
Issue of ordinary share capital		-	1	1
Purchase of own shares		-	(1)	(2)
Repayment of principal in respect of securitised debt	10	(60)	(56)	(115)
Principal receipts on currency swap	10	11	9	20
Principal payments on currency swap	10	(8)	(7)	(15)
Cash payments for the principal portion of lease liabilities		(27)	(34)	(48)
<b>Net cash used in financing activities</b>		<b>(84)</b>	(88)	(159)
<b>Net decrease in cash and cash equivalents</b>	10	<b>(47)</b>	(32)	(39)
Cash and cash equivalents at the beginning of the period	10	190	227	227
Foreign exchange movements on cash		(1)	(1)	2
<b>Cash and cash equivalents at the end of the period</b>	10	<b>142</b>	194	190

Cash and cash equivalents are defined in note 10.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

### Basis of preparation

Mitchells & Butlers Plc (the Company) is a company domiciled in the UK. These condensed consolidated interim financial statements (interim financial statements) as at and for the 28 weeks ended 8 April 2023 comprise the Company and its subsidiaries (together referred to as the Group). The Group is primarily involved in the hospitality industry providing guests with memorable occasions serving food and drink across a range of restaurants, pubs and bars.

This interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted within the United Kingdom and should be read in conjunction with the Group's last annual consolidated financial statements as at 24 September 2022. They do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

These interim financial statements were authorised for issue by the Company's board of Directors on 16 May 2023.

The information for the 52 weeks ended 24 September 2022 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies and has been prepared in accordance with IFRS as adopted within the United Kingdom. The auditor's report on those accounts was not qualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006, but did include a section highlighting a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

This interim financial information has not been audited or reviewed by the auditor under the International Standard on Review Engagements (UK) 2410.

### Going concern

Despite some resilience in recent consumer spending, high and persistent cost inflation, initially in energy, wages and food costs, but now evident throughout most of the Group's cost base, has resulted in profits and operating cash flow which are yet to recover to pre-Covid levels. This casts a degree of uncertainty as to the future financial performance and cash flows of the Group and has been considered by the Directors in assessing the ability of the Group to continue as a going concern.

The Group has two main sources of funding, namely, a secured debt financing structure and a £150m unsecured revolving credit facility due to expire in February 2024.

Within the secured debt financing structure there are two main covenants, being the level of net assets and FCF to DSCR. As at 8th April 2023 there was substantial headroom on the net worth covenant. FCF to DSCR represents the multiple of cash generated by sites within the structure to the cost of debt service. This is tested quarterly on both a trailing two quarter and a four quarter basis. These tests are now being measured at their full level of a minimum of 1.1 times following expiry of the agreed waivers and amendments in January 2023.

The unsecured facilities include financial covenants relating to the ratio of EBITDAR to rent plus interest (at a minimum of 1.5 times) and Net debt to EBITDA (to be no more than 3.0 times) based on the performance of the unsecured estate, tested at each Half Year and Full Year date. Unsecured facilities expire in February 2024, within the going concern assessment period, and whilst the Directors have confidence that it will be possible to renew or extend the terms of these facilities, that is not directly within their control.

Full details on debt arrangements, which were agreed in support of the equity raise in March 2021, can be found in the prospectus issued with the Open Offer which is available on the Group's website.

In the year ahead the main uncertainties are considered to be the maintenance of growth in sales in the face of pressure on consumer spending power in an environment of falling real wages, and the future outlook for cost inflation across the whole of the cost base. The outlook for these is highly uncertain and will depend on a number of factors including consumer confidence, global political developments and supply chain disruptions and government policy.



## **1. GENERAL INFORMATION (CONTINUED)**

### **Going concern (continued)**

The Directors have reviewed the financing arrangements against a forward trading forecast in which they have considered the Group's current financial position. This forecast assumes further growth in sales. Whilst inflation remains an issue, the increase in costs is assumed to show some easing over the next year. Under this scenario the Group is able to stay within all committed facility financial covenants, with increasing headroom over time, and maintains sufficient liquidity throughout based on an assumption of successful refinancing of existing facilities.

The Directors have also considered a severe but plausible downside scenario covering adverse movements against the base forward forecast in both sales and cost inflation in which some, but limited, mitigation activity is taken. In this downside scenario the Group also retains sufficient liquidity throughout the period, again based on an assumption of successful refinancing of existing facilities, and no covenants are breached although there is no headroom at the fourth quarter test in the current year.

As a result the Directors believe that they have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the 12 months from the date of approval of these condensed financial statements, and therefore continue to adopt the going concern assumption in their preparation. However, given both the prevailing high level of uncertainty concerning both sales and cost inflation, and the requirement to refinance existing unsecured facilities within the going concern period, a material uncertainty exists in particular with respect to the ability to achieve covenant waivers or amendments, should these be required, and maintain sufficient liquidity which may cast doubt over the Group's ability to trade as a going concern. In this case it may be unable to realise its assets and discharge its liabilities in the normal course of business.

### **Accounting policies**

The interim financial information has been prepared on a consistent basis using the accounting policies set out in the Annual Report and Accounts 2022.

### **Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, income and expense.

Estimates and judgements are periodically reviewed and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Details of the Group's critical accounting judgements and estimates are described within the relevant accounting policies set out in the Annual Report and Accounts 2022. Judgements and estimates for the interim period remain unchanged.

## **2. SEGMENTAL ANALYSIS**

The Group trades in one business segment (that of operating pubs, bars and restaurants). The Group's brands meet the aggregation criteria set out in paragraph 12 of IFRS 8 Operating Segments and as such the Group reports the business as one reportable segment.

### 3. REVENUE

Revenue is analysed as follows:

	<b>2023</b>	2022	2022
	<b>28 weeks</b>	28 weeks	52 weeks
	<b>£m</b>	£m	£m
Food	<b>681</b>	627	1,166
Drink	<b>557</b>	484	957
Services	<b>43</b>	43	80
Other – Local Authority grants (UK and Germany)	-	4	3
Other – German government grants for loss of profits	-	1	1
Other – Apprenticeship incentives	<b>1</b>	-	1
Total	<b>1,282</b>	1,159	2,208

Revenue from services includes rent receivable from unlicensed properties and leased operations of £5m (2022 28 weeks £5m, 2022 52 weeks £9m).

#### VAT

In the prior period, the Group benefitted from a reduction in the rate of VAT from 20% to 12.5% applied for the six month period from 1 October 2021 until 31 March 2022. The estimated impact of this on food and drink revenue in the current period is £nil (2022 28 weeks £43m, 2022 52 weeks £43m).

#### Government grants

##### Local Authority grants

During the prior period, following the EU Court ruling on State Aid aggregation, the Group recognised an additional £2m of Covid-19 support, subject to the individual caps applicable in both the UK and Germany. In addition, following the outbreak of the Omicron variant of Covid-19 in the UK in November 2021, the Government introduced some further grants to help support businesses in the leisure and hospitality sectors. As a result, a further £1m of grants were recognised.

##### German Government grants

In the prior period, following the impact of the Omicron variant, grant claims were made for costs incurred during periods of significantly lower sales under an extension of the Bridging Aid scheme.

##### Apprenticeship incentives

The Group is entitled to claim £1,000 for each apprentice employed, where they are aged 16 to 18, or under 25 and meet certain other criteria. In prior periods, as part of its response to the Covid-19 pandemic, the UK Government introduced a scheme to enable an employer to receive up to an additional £3,000 per apprentice, where the apprentice commenced employment between 1 August 2020 and 31 January 2022. The payment is phased with amounts due in equal instalments at 90 days and 365 days after employment commenced and is recognised on receipt of cash.

### 4. SEPARATELY DISCLOSED ITEMS

In addition to presenting information on an IFRS basis, the Group also presents adjusted profit and earnings per share information that excludes separately disclosed items and the impact of any associated tax. Adjusted profitability measures are presented excluding separately disclosed items as we believe this provides both management and investors with useful additional information about the Group's performance and supports a more effective comparison of the Group's trading performance from one period to the next. Adjusted profit and earnings per share information is used by management to monitor business performance against both shorter-term budgets and forecasts but also against the Group's longer-term strategic plans.

Judgement is used to determine those items which should be separately disclosed. This judgement includes assessment of whether an item is of sufficient size or of a nature that is not consistent with normal trading activities.

Separately disclosed items include movements in the valuation of the property portfolio as a result of the revaluation exercise of property, plant and equipment, impairment review of short leasehold and unlicensed properties, impairment review of right-of-use assets and VAT refund in relation to gaming duty.

#### 4. SEPARATELY DISCLOSED ITEMS (CONTINUED)

	<b>2023</b>	2022	2022
	<b>28 weeks</b>	28 weeks	52 weeks
Notes	<b>£m</b>	£m	£m
Gaming machine settlement	a	-	-
	<b>(1)</b>		-
Total separately disclosed items recognised within operating costs		-	
Net profit arising on property disposals	-	1	1
Movement in the valuation of the property portfolio:			
- Impairment charge arising from the revaluation of freehold and long leasehold properties	b	-	(86)
- Impairment of short leasehold and unlicensed properties	c	-	(9)
- Impairment of right-of-use assets	d	-	(22)
Net movement in the valuation of the property portfolio	-	-	(117)
<b>Total separately disclosed items before tax</b>	<b>(1)</b>	1	(116)
Tax relating to the above items	-	-	22
<b>Total separately disclosed items after tax</b>	<b>(1)</b>	1	(94)

Separately disclosed items are as follows.

- a During the period £19m has been received from HMRC, relating to VAT on gaming machine income for the period 2005 to 2012, including interest. An estimate of £20m for the amount receivable was recognised in the 52 weeks ended 25 September 2021. As a result, the excess of £1m has been recognised.
- b Impairment arising from the Group's revaluation of its freehold and long leasehold pub estate where the carrying amount of the properties exceeds their recoverable amount.
- c The impairment of short leasehold and unlicensed properties where the carrying values of the properties exceeded their recoverable amount.
- d The impairment of right-of-use assets where their carrying values exceeded their recoverable amount.

#### 5. FINANCE COSTS AND INCOME

	<b>2023</b>	2022	2022
	<b>28 weeks</b>	28 weeks	52 weeks
	<b>£m</b>	£m	£m
<b>Finance costs</b>			
Interest on securitised debt	(48)	(52)	(94)
Interest on other borrowings	(3)	(2)	(5)
Interest on lease liabilities	(9)	(9)	(16)
Total finance costs	<b>(60)</b>	<b>(63)</b>	<b>(115)</b>
<b>Finance income</b>			
Interest receivable on cash balances	2	-	1
<b>Net pensions finance charge (note 11)</b>	<b>(1)</b>	<b>(1)</b>	<b>(2)</b>

## 6. TAXATION

The taxation charge for the 28 weeks ended 8 April 2023 has been calculated by applying an estimate of the annual effective tax rate before separately disclosed items of 18.4% (2022 28 weeks, 20.5%). The annual effective tax rate for the current period is lower than the statutory rate of 22.0% due to the benefit of enhanced capital allowance claims.

	<b>2023</b>	2022	2022
	<b>28 weeks</b>	28 weeks	52 weeks
<b>Tax (charge)/credit in the income statement</b>	<b>£m</b>	£m	£m
Current tax:			
- Corporation tax	<b>(2)</b>	-	(3)
- Amounts over provided in prior periods	-	-	1
Total current tax charge	<b>(2)</b>	-	(2)
Deferred tax:			
- Origination and reversal of temporary differences	<b>(8)</b>	(10)	3
- Effect of changes in UK tax rate	<b>2</b>	-	4
- Adjustments in respect of prior periods	-	(1)	-
Total deferred tax (charge)/credit	<b>(6)</b>	(11)	7
Total tax (charge)/credit in the income statement	<b>(8)</b>	(11)	5
Further analysed as tax relating to:			
Profit before separately disclosed items	<b>(8)</b>	(11)	(17)
Separately disclosed items	-	-	22
	<b>(8)</b>	(11)	5
<b>Tax relating to items recognised in other comprehensive income/(expense)</b>	<b>2023</b>	2022	2022
	<b>28 weeks</b>	28 weeks	52 weeks
	<b>£m</b>	£m	£m
Deferred tax:			
Items that will not be reclassified subsequently to profit or loss:			
- Unrealised losses due to revaluations – revaluation reserve	-	-	46
- Unrealised losses due to revaluations – retained earnings	-	-	(5)
- Remeasurement of pension liabilities	<b>(9)</b>	(7)	(9)
	<b>(9)</b>	(7)	32
Items that may be reclassified subsequently to profit or loss:			
- Cash flow hedges	<b>4</b>	(19)	(45)
Total tax charge recognised in other comprehensive income	<b>(5)</b>	(26)	(13)

The Finance Act 2021 increased the main rate of corporation tax from 19% to 25% from 1 April 2023. The effect of this change has been reflected in the closing deferred tax balances at 8 April 2023, 24 September 2022 and 9 April 2022.

## 7. EARNINGS PER SHARE

Basic earnings per share (EPS) has been calculated by dividing the profit for the financial period by the weighted average number of ordinary shares in issue during the period, excluding own shares held by employee share trusts.

For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

Adjusted earnings per ordinary share amounts are presented before separately disclosed items (see note 4) in order to allow a better understanding of the adjusted trading performance of the Group.

The profit used for the earnings per share calculations is as follows:

	<b>2023</b> <b>28 weeks</b> <b>£m</b>	2022 28 weeks £m	2022 52 weeks £m
Profit for the period	<b>32</b>	46	13
Separately disclosed items net of tax	<b>1</b>	(1)	94
Adjusted profit for the period	<b>33</b>	45	107

The number of shares used for the earnings per share calculations are as follows:

	<b>2023</b> <b>28 weeks</b> <b>million</b>	2022 28 weeks million	2022 52 weeks million
Basic weighted average number of ordinary shares	<b>595</b>	596	595
Effect of dilutive potential ordinary shares:			
- Contingently issuable shares	<b>1</b>	1	1
Diluted weighted average number of shares	<b>596</b>	597	596

At 8 April 2023, 4,868,022 (2022 28 weeks 2,991,909, 2022 52 weeks 4,839,607) share options were outstanding that could potentially dilute basic EPS in the future but were not included in the calculation of diluted EPS as they are anti-dilutive for the periods presented.

	<b>2023</b> <b>28 weeks</b> <b>pence</b>	2022 28 weeks pence	2022 52 weeks Pence
<b>Basic earnings per share</b>			
Basic earnings per share	<b>5.4</b>	7.7	2.2
Separately disclosed items net of tax per share	<b>0.1</b>	(0.1)	15.8
Adjusted basic earnings per share	<b>5.5</b>	7.6	18.0
<b>Diluted earnings per share</b>			
Diluted earnings per share	<b>5.4</b>	7.7	2.2
Adjusted diluted earnings per share	<b>5.5</b>	7.6	18.0

## 8. PROPERTY, PLANT AND EQUIPMENT

	<b>2023</b>	2022	2022
	<b>8 April</b>	9 April	24 September
<b>Net book value</b>	<b>£m</b>	£m	£m
At beginning of period	<b>4,194</b>	4,442	4,442
Additions	<b>90</b>	60	130
Disposals	-	(3)	(4)
Net decrease from property revaluation	-	-	(273)
Impairment of short leasehold properties	-	-	(9)
Depreciation provided during the period	<b>(49)</b>	(49)	(93)
Exchange differences	-	-	1
	<hr/>	<hr/>	<hr/>
At end of period	<b>4,235</b>	4,450	4,194

### **Revaluation and impairment**

The freehold and long leasehold licensed properties were valued at market value as at 24 September 2022, using information provided by CBRE, independent Chartered Surveyors. This valuation was based on an assessment of individual asset fair maintainable operating profit (FMOP) and property multiples. The Group has performed an assessment for material changes that would impact the value of its freehold and long leasehold properties at the interim date. The Group's profit performance is in line with forecast supporting the fair maintainable operating profit (FMOP) assessed at 24 September 2022 and the property multiples adopted at 24 September 2022 are supported by the current property market. As such there is no requirement to perform a revaluation at the interim date.

Short leasehold properties, unlicensed properties and fixtures, fittings and equipment are held at cost less depreciation and impairment provisions. During the current period, in accordance with IAS 36, the Group has performed an assessment for indicators of impairment of these categories of property, plant and equipment, together with right-of-use assets (note 9). This review included an assessment of current year performance which is in line with the overall Group forecast used in the impairment review at 24 September 2022, and long term growth rates and capital maintenance assumptions both of which are unchanged from the year end. In addition, our sensitivity analysis at FY22 year end showed that the impairment charge was relatively insensitive to likely movements in the WACC of 9.65%. As such, there are not considered to be any indicators of impairment that would require the Group to perform a further review of impairment.

As a result of the above review, no revaluation or impairment has been recognised in the period (2022 28 weeks £nil, 2022 52 weeks revaluation decrease of £273m and short leasehold properties impairment of £9m).

### **Goodwill and other intangible assets**

Goodwill and other intangible assets at 8 April 2023 of £15m (9 April 2022 £13m, 24 September 2022 £14m) comprise goodwill of £2m (9 April 2022 £2m, 24 September 2022 £2m) and computer software of £13m (9 April 2022 £11m, 24 September 2022 £12m).

### **Capital commitments**

The total amount contracted for but not provided in the financial statements was £14m (9 April 2022 £15m, 24 September 2022 £28m).

## 9. LEASES

### Right-of-use assets

	<b>2023</b> <b>8 April</b> <b>£m</b>	2022 9 April £m	2022 24 September £m
<b>Net book value</b>			
At start of period	<u>339</u>	<u>379</u>	<u>379</u>
Additions	20	17	26
Impairment	-	-	(22)
Disposals <sup>a</sup>	(2)	(8)	(9)
Depreciation provided during the period	(18)	(19)	(36)
Foreign currency movements	(1)	(1)	1
At end of period	<u><u>338</u></u>	<u><u>368</u></u>	<u><u>339</u></u>

- a. Disposals mainly relate to leasehold properties where the freehold has been purchased, and therefore, the right-of-use assets and corresponding lease liabilities (see note 10) have been disposed. The freehold purchases are reflected in property, plant and equipment additions (see note 8).

### Impairment review of right-of-use assets

As described in note 8, the Group has reviewed its short leasehold properties and right-of-use assets for indicators of impairment at the interim date, and determined that there are no indicators that lead the Group to conclude that a further review of impairment is required.

### Lease liabilities

An analysis of lease liabilities recognised are as follows:

	<b>8 April</b> <b>2023</b> <b>£m</b>	9 April 2022 £m	24 September 2022 £m
Current liabilities	44	46	53
Non current liabilities	<u>423</u>	<u>437</u>	<u>428</u>
Total lease liabilities	<u><u>467</u></u>	<u><u>483</u></u>	<u><u>481</u></u>

## 10. BORROWINGS AND NET DEBT

### Borrowings

	<b>8 April</b> <b>2023</b> <b>£m</b>	9 April 2022 £m	24 September 2022 £m
<b>Current</b>			
Securitised debt	118	113	113
Unsecured revolving credit facilities	-	(1)	-
Overdraft	38	29	17
Total current	<u>156</u>	<u>141</u>	<u>130</u>
<b>Non-current</b>			
Securitised debt	<u>1,252</u>	<u>1,368</u>	<u>1,334</u>
Total borrowings	<u><u>1,408</u></u>	<u><u>1,509</u></u>	<u><u>1,464</u></u>

## 10. BORROWINGS AND NET DEBT (CONTINUED)

### Net debt

	8 April 2023 £m	9 April 2022 £m	24 September 2022 £m
Cash and cash equivalents	180	223	207
Overdraft	<u>(38)</u>	<u>(29)</u>	<u>(17)</u>
Cash and cash equivalents as presented in the cashflow statement <sup>a</sup>	142	194	190
Securitised debt	<b>(1,370)</b>	(1,481)	(1,447)
Unsecured revolving credit facility	-	1	-
Derivatives hedging balance sheet debt <sup>b</sup>	<u>35</u>	<u>33</u>	<u>59</u>
Net debt excluding leases	<b>(1,193)</b>	(1,253)	(1,198)
Lease liabilities	<u>(467)</u>	<u>(483)</u>	<u>(481)</u>
Net debt including leases	<b><u>(1,660)</u></b>	<b><u>(1,736)</u></b>	<b><u>(1,679)</u></b>

- a Cash and cash equivalents in the cash flow statement are presented net of an overdraft within a cash pooling arrangement, to which the Group has a legal right of offset.
- b Represents the proportion of the fair value of the currency swap that is hedging the balance sheet value of the Group's US dollar denominated A3N loan notes. This amount is disclosed separately to remove the impact of exchange rate movements which are included in the securitised debt amount.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term highly liquid deposits with an original maturity at acquisition of three months or less. Cash held on deposit with an original maturity at acquisition of more than three months is disclosed as other cash deposits. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

### Net debt

Net debt comprises cash and cash equivalents, cash deposits net of borrowings and discounted lease liabilities. Net debt is presented on a constant currency basis, due to the inclusion of the fixed exchange rate component of the cross currency swap. Cash flows on the interest rate and cross currency swaps are shown within interest paid in the Group cash flow statement.

### Securitised debt

On 13 November 2003, the Group refinanced its debt by raising £1,900m through a securitisation of the majority of its UK pubs and restaurants owned by Mitchells & Butlers Retail Limited. On 15 September 2006 the Group completed a further debt ('tap') issue to borrow an additional £655m and refinance £450m of existing debt at lower cost. The notes are secured on the majority of the Group's property and future income streams therefrom. All of the floating rate notes are hedged using interest rate swaps which fix the interest rate payable.

The overall cash interest rate payable on the loan notes is 6.3% (9 April 2022 6.3%, 24 September 2022 6.3%) after taking account of interest rate hedging and the cost of the financial guarantee provided by Ambac Assurance UK Limited (Ambac). Ambac acts as a guarantor of the Group's obligations to repay interest and principal on the loan notes. In the event that the Group is unable to pay such amounts the guarantee is limited to the Class A1N, A3N, A4 and Class AB note holders only.

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Mitchells & Butlers Retail Limited, the Group's main operating subsidiary. There are two main financial covenants, being the level of net assets and free cash flow (FCF) to debt service. FCF to debt service represents the multiple of cash generated by sites within the structure to the cost of debt service. This is tested quarterly on both a trailing two quarter and a four quarter basis. There are additional covenants regarding the maintenance and disposal of securitised properties and restrictions on its ability to move cash, by way of dividends for example, to other Group companies.



## 10. BORROWINGS AND NET DEBT (CONTINUED)

At 8 April 2023, Mitchells & Butlers Retail Limited had cash and cash equivalents of £81m (9 April 2022 £87m, 24 September 2022 £61m). Of this amount £1m (9 April 2022 £1m, 24 September 2022 £1m), representing disposal proceeds, was held on deposit in an account over which there are a number of restrictions. The use of this cash requires the approval of the securitisation trustee and may only be used for certain specified purposes such as capital enhancement expenditure and business acquisitions.

The carrying value of the securitised debt in the Group balance sheet is analysed as follows:

	<b>8 April 2023</b>	9 April 2022	24 September 2022
	<b>£m</b>	£m	£m
Principal outstanding at beginning of period	<b>1,448</b>	1,527	1,527
Principal repaid during the period	<b>(60)</b>	(56)	(115)
Net principal receipts on cross currency swap	<b>3</b>	2	5
Exchange on translation of dollar loan notes	<b>(24)</b>	5	31
Principal outstanding at end of period	<b>1,367</b>	1,478	1,448
Deferred issue costs	<b>(2)</b>	(3)	(3)
Accrued interest	<b>5</b>	6	2
Carrying value at end of period	<b>1,370</b>	1,481	1,447

### Liquidity facility

Under the terms of the securitisation, the Group holds a liquidity facility of £295m provided by two counterparties. The amount drawn at 8 April 2023 is £nil (9 April 2022 £nil, 24 September 2022 £nil).

### Unsecured revolving credit facilities

The Group holds an unsecured committed revolving credit facility of £150m, which expires on 14 February 2024. The amount drawn at 8 April 2023 is £nil, (9 April 2022 is £nil, 24 September 2022 £nil).

### Movement in net debt excluding leases

	<b>2023</b>	2022	2022
	<b>28 weeks</b>	28 weeks	52 weeks
	<b>£m</b>	£m	£m
<b>Net decrease in cash and cash equivalents</b>	<b>(47)</b>	(32)	(39)
Add back cash flows in respect of other components of net debt:			
- Repayment of principal in respect of securitised debt	<b>60</b>	56	115
- Principal receipts on cross currency swap	<b>(11)</b>	(9)	(20)
- Principal payments on cross currency swap	<b>8</b>	7	15
<b>Decrease in net debt arising from cash flows</b>	<b>10</b>	22	71
Movement in capitalised debt issue costs net of accrued interest	<b>(4)</b>	(4)	(1)
<b>Decrease in net debt excluding leases</b>	<b>6</b>	18	70
Opening net debt excluding leases	<b>(1,198)</b>	(1,270)	(1,270)
Foreign exchange movements on cash	<b>(1)</b>	(1)	2
<b>Closing net debt excluding leases</b>	<b>(1,193)</b>	(1,253)	(1,198)

## 10. BORROWINGS AND NET DEBT (CONTINUED)

### Movement in lease liabilities

	2023 28 weeks £m	2022 28 weeks £m	2022 52 weeks £m
Opening lease liabilities	(481)	(513)	(513)
Additions <sup>a</sup>	(19)	(15)	(25)
Interest charged during the period	(9)	(9)	(16)
Repayment of principal	27	34	48
Payment of interest	11	11	16
Disposals <sup>b</sup>	3	8	11
Foreign currency movements	1	1	(2)
<b>Closing lease liabilities</b>	<b>(467)</b>	<b>(483)</b>	<b>(481)</b>

a Additions to lease liabilities include new leases and lease extensions or rent reviews relating to existing leases.

b Disposals mainly relate to leasehold properties where the freehold has been purchased, and therefore, the right-of-use assets (see note 9) and corresponding lease liabilities have been disposed.

## 11. PENSIONS

Retirement and death benefits are provided for eligible employees in the United Kingdom, principally by the Mitchells & Butlers Pension Plan (MABPP) and the Mitchells & Butlers Executive Pension Plan (MABEPP). These plans are funded, HMRC approved, occupational pension schemes with defined contribution and defined benefit sections. The defined benefit section of the plans is now closed to future service accrual. The defined benefit liabilities relate to these funded plans, together with an unfunded unapproved pension arrangement (the Executive Top-Up Scheme, or MABETUS) in respect of certain MABEPP members. The assets of the plans are held in self-administered trust funds separate from the Company's assets.

In addition, Mitchells & Butlers plc also provides a workplace pension plan in line with the Workplace Pensions Reform Regulations. This automatically enrolls all eligible workers into a Qualifying Workplace Pension Plan.

### Measurement of scheme assets and liabilities

#### *MABEPP – buy-in policy transaction*

During the prior period, the Trustees of the MABEPP entered a Bulk Purchase Agreement (BPA) with Legal and General Assurance Society Limited. The resulting policy is set up to provide the plan with sufficient funding to cover all known member benefits of the scheme.

The difference between the buy-in purchase price and the defined benefit obligation covered by the policy was accounted for in other comprehensive income in the prior period. The accounting treatment was based on the following considerations made by the Company:

- the employer is not relieved of primary responsibility for the obligation. The policy simply covers the benefit payments that continue to be payable by the scheme;
- the contract is effectively an investment of the scheme; and
- the contract provides the option to convert the annuity into individual policies, which would transfer the obligation to the insurer (known as a "buy-out"). Whilst this course of action may be considered in future, this is not a requirement and a separate decision will be required before any buy-out proceeds.

Following on from the transaction, the remaining scheduled contribution payments for the MABEPP have been paid into a "Blocked Account" from which the funds may be used by the Trustee or may be returned to the Company. As a result the payments are no longer recognised as a minimum funding requirement and any balance in the Blocked Account is recognised within non-current other receivables. The amount recognised as at 8 April 2023 is £12m (9 April 2022 £3m, 24 September 2022 is £9m).

## 11. PENSIONS (CONTINUED)

### *Actuarial valuation*

The actuarial valuations used for IAS 19 (revised) purposes are based on the results of the latest full actuarial valuation carried out at 31 March 2022 and updated by the schemes' independent qualified actuaries to 8 April 2023. Schemes' assets are stated at market value at 8 April 2023 and the liabilities of the schemes have been assessed as at the same date using the projected unit method. IAS 19 (revised) requires that the schemes' liabilities are discounted using market yields at the end of the period on high quality corporate bonds.

The principal financial assumptions used at the balance sheet date have been updated to reflect changes in market conditions in the period and are as follows:

	<b>2023</b> <b>8 April</b>	2022 9 April	2022 24 September
Discount rate	<b>4.8%</b>	2.9%	5.3%
Pensions increases – RPI max 5%	<b>2.9%</b>	3.4%	3.2%
Inflation – RPI	<b>3.2%</b>	3.7%	3.5%

The mortality assumptions were reviewed following the 2022 actuarial valuation. A summary of the average life expectancies assumed are as follows:

	<b>2023</b> <b>8 April</b>	2022 9 April	2022 24 September
Implied life expectancies from age 65:			
- MABPP male currently 45	<b>22.5 years</b>	<b>22.7 years</b>	22.7 years
- MABEPP male currently 45	<b>24.3 years</b>	<b>24.5 years</b>	24.5 years
- MABPP female currently 45	<b>25.4 years</b>	<b>25.3 years</b>	25.3 years
- MABEPP female currently 45	<b>26.1 years</b>	<b>26.3 years</b>	26.3 years

### *Minimum funding requirements*

The results of the 2022 actuarial valuation, which was completed in December 2022, show a marginal surplus. As a result of the 2022 actuarial valuation, the Company subsequently agreed a revised schedule of contributions for both the MABPP and MABEPP schemes.

For the MABEPP, the agreement confirms that from December 2022, payments into the "Blocked Account" that was set up as part of the buy-in transaction have been suspended.

For the MABPP, there has been no change to the remaining contributions due, which are due to end in September 2023. However, all contributions since December 2022 have been made into a new blocked bank account. As the scheme is in surplus, these payments are no longer considered a minimum funding requirement and therefore are not recognised as plan assets. As a result, the blocked bank account has been recognised within non-current other receivables as recovery of these amounts is expected. The amount recognised as at 8 April 2023 is £13m (9 April 2022 £nil, 24 September 2022 is £nil). In addition, under IFRIC 14, an additional liability is recognised to offset the actuarial surplus as the Company does not have an unconditional right to a refund of the surplus.

As a result of the above changes, the resulting net pension liability as at 8 April 2023 of £24m relates solely to the MABETUS plan, with a total of £25m in escrow accounts across the MABPP and MABEPP schemes, recognised in non-current other receivables.

## 11. PENSIONS (CONTINUED)

### Amounts recognised in respect of pension schemes

The following amounts relating to the Group's defined benefit and defined contribution arrangements have been recognised in the Group income statement and Group statement of comprehensive income:

<b>Group income statement</b>	<b>2023</b>	2022	2022
	<b>28 weeks</b>	28 weeks	52 weeks
	<b>£m</b>	£m	£m
<b>Operating profit</b>			
Employer contributions (defined contribution plans)	(9)	(8)	(16)
Administrative costs (defined benefit plans)	(2)	(2)	(4)
Charge to operating profit	<b>(11)</b>	(10)	(20)
<b>Finance costs</b>			
Net pensions finance income on actuarial surplus	8	4	8
Additional pensions finance charge due to minimum funding	(9)	(5)	(10)
Net pensions finance charge	<b>(1)</b>	(1)	(2)
<b>Total charge</b>	<b>(12)</b>	(11)	(22)
<b>Group statement of comprehensive income</b>	<b>2023</b>	2022	2022
	<b>28 weeks</b>	28 weeks	52 weeks
	<b>£m</b>	£m	£m
Gain/(loss) on scheme assets and effects of changes in assumptions	53	(58)	(161)
Movement in pension liabilities due to minimum funding	(17)	87	202
Remeasurement of pension liabilities	<b>36</b>	29	41
<b>Group balance sheet</b>	<b>2023</b>	2022	2022
	<b>8 April</b>	9 April	24 September
	<b>£m</b>	£m	£m
Fair value of scheme assets	1,787	2,395	1,699
Present value of scheme liabilities	<b>(1,464)</b>	(2,058)	(1,442)
Actuarial surplus in the schemes	323	337	257
Additional liability (IFRIC 14)	<b>(347)</b>	(431)	(321)
Total pension liabilities <sup>a</sup>	<b>(24)</b>	(94)	(64)
Associated deferred tax asset	<b>6</b>	20	14

- a. The total pension liabilities of £24m (9 April 2022 £94m, 24 September 2022 £64m) is presented as £1m current liabilities (9 April 2022 £41m, 24 September 2022 £42m) and £23m non-current liabilities (9 April 2022 £53m, 24 September 2022 £22m).

## 11. PENSIONS (CONTINUED)

Movements in total pension liabilities are analysed as follows:

	<b>2023</b> <b>8 April</b>	2022 9 April	2022 24 September
	<u>£m</u>	<u>£m</u>	<u>£m</u>
At beginning of period	<b>(64)</b>	(143)	(143)
Administration costs	<b>(2)</b>	(2)	(4)
Net pensions finance charge	<b>(1)</b>	(1)	(2)
Employer contributions	<b>7</b>	23	44
Remeasurement of pension liabilities	<b>36</b>	29	41
	<u><b>(24)</b></u>	<u>(94)</u>	<u>(64)</u>

## 12. FINANCIAL INSTRUMENTS

The fair value of the Group's derivative financial instruments is calculated by discounting the expected future cash flows of each instrument at an appropriate discount rate to a 'mark to market' position and then adjusting this to reflect any non-performance risk associated with the counterparties to the instrument.

The Group's derivative financial instruments are disclosed at fair value and categorised in three levels according to the inputs used in the calculation of their fair value:

- Level 1 instruments use quoted prices as the input to fair value calculations;
- Level 2 instruments use inputs, other than quoted prices, that are observable either directly or indirectly;
- Level 3 instruments use inputs that are unobservable.

The table below sets out the valuation basis of financial instruments held at fair value by the Group:

	Level 1	Level 2	Level 3	Total
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
<b>At 8 April 2023</b>				
Financial assets				
Currency swaps	-	<b>35</b>	-	<b>35</b>
Share options	-	-	<b>1</b>	<b>1</b>
Financial liabilities				
Interest rate swaps	-	<b>(44)</b>	-	<b>(44)</b>
	<u>-</u>	<u><b>(9)</b></u>	<u><b>1</b></u>	<u><b>(8)</b></u>
At 9 April 2022	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Financial assets:				
Currency swaps	-	34	-	34
Share options	-	-	1	1
Financial liabilities:				
Interest rate swaps	-	<b>(135)</b>	-	<b>(135)</b>
	<u>-</u>	<u><b>(101)</b></u>	<u><b>1</b></u>	<u><b>(100)</b></u>
At 24 September 2022	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Financial assets:				
Currency swaps	-	59	-	59
Share options	-	-	1	1
Financial liabilities:				
Interest rate swaps	-	<b>(28)</b>	-	<b>(28)</b>
	<u>-</u>	<u><b>31</b></u>	<u><b>1</b></u>	<u><b>32</b></u>

## 12. FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of interest rate and currency swaps is the estimated amount which the Group could expect to pay or receive on termination of the agreements. These amounts are based on quotations from counterparties which approximate to their fair market value and take into consideration interest and exchange rates prevailing at the balance sheet date.

Borrowings are valued as a level 1 financial instrument. The securitised debt has been valued using period end quoted offer prices for each tranche. The securitised debt is traded on an active market, so the market value represents the fair value of this debt. The current value of the overdraft represents its fair value. The carrying value and fair value of borrowings is as follows:

	8 April 2023		9 April 2022		24 September 2022	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Borrowings (note 10)	<b>(1,408)</b>	(1,194)	<b>(1,509)</b>	(1,422)	(1,464)	(1,180)

All other financial assets and liabilities are either short-term in nature or their book values approximate to fair values.

## 13. RELATED PARTY TRANSACTIONS

During the period, the Group has held a number of property lease agreements with its associate companies, 3Sixty Restaurants Limited and Fatboy Pub Company Limited.

The Group has entered into the following transactions with the associates:

	3Sixty Restaurants Limited			Fatboy Pub Company Limited		
	2023 28 weeks £000	2022 28 weeks £000	2022 52 weeks £000	2023 28 weeks £000	2022 28 weeks £000	2022 52 weeks £000
Rent charged	640	478	1,180	50	50	60
Sales of goods and services	400	448	782	2	(41)	4
	<u>1,040</u>	<u>926</u>	<u>1,962</u>	<u>52</u>	<u>9</u>	<u>64</u>

The balance due from 3Sixty Restaurants Limited at 8 April 2023 was £48,000 (9 April 2022 £284,000, 24 September 2022 £351,600). The balance due from Fatboy Pub Company at 8 April 2023 was £1,000 (9 April 2022 £44,000, 24 September 2022 £nil), net of a provision of £179,000 (9 April 2022 £179,000, 24 September 2022 £179,000).

There have been no other related party transactions during the period or the previous period requiring disclosure under IAS 24 Related Party Disclosures.

## 14. POST BALANCE SHEET EVENTS

### *Share option exercise*

The Group owns 40% of the share capital of 3Sixty Restaurants Limited, which is recognised as an associate. On 18 April 2023, the Group has exercised the call option to acquire the remaining 60% of the share capital. This exercise notice is irrevocable and completion will take place on 18 June 2023.

## Alternative Performance Measures

The performance of the Group is assessed using a number of Alternative Performance Measures (APMs).

The Group's results are presented both before and after separately disclosed items. Adjusted profit measures are presented excluding separately disclosed items as we believe this provides both management and investors with useful additional information about the Group's performance and supports an effective comparison of the Group's trading performance from one period to the next. Adjusted profit measures are reconciled to unadjusted IFRS results on the face of the condensed income statement with details of separately disclosed items provided in note 4.

The Group's results are also described using other measures that are not defined under IFRS and are therefore considered to be APMs. These APMs are used by management to monitor business performance against both shorter term budgets and forecasts but also against the Group's longer-term strategic plans.

APMs used to explain and monitor Group performance include:

<b>APM</b>	<b>Definition</b>	<b>Source</b>
EBITDA	Earnings before interest, tax, depreciation and amortisation.	Group condensed income statement
Adjusted EBITDA	Annualised EBITDA on a 52-week basis before separately disclosed items is used to calculate net debt to EBITDA.	Group condensed income statement
Operating profit	Earnings before interest and tax.	Group condensed income statement
Adjusted operating profit	Operating profit before separately disclosed items.	Group condensed income statement
Like-for-like sales growth	Like-for-like sales growth reflects the sales performance against the comparable period in the prior year of UK managed pubs, bars and restaurants that were trading in the two periods being compared, unless marketed for disposal.	Group condensed income statement
Like-for-like sales excluding VAT benefit	Like-for-like sales excluding VAT benefit reflects like-for-like sales growth excluding the benefit of the temporary reduction in the rate of VAT on food and non-alcoholic drink sales to 12.5% in the first half of FY 2022.	Group condensed income statement
Adjusted earnings per share (EPS)	Earnings per share using profit before separately disclosed items.	Note 7
Net debt	Net debt comprises cash and cash equivalents, cash deposits net of borrowings and discounted lease liabilities. Presented on a constant currency basis due to the inclusion of the fixed exchange rate component of the cross-currency swap.	Note 10
Net debt : Adjusted EBITDA	The multiple of net debt including lease liabilities, as per the balance sheet compared against 52-week EBITDA before separately disclosed items, which is a widely used leverage measure in the industry.	Note 10 Group condensed income statement

## A. Like-for-like sales

The sales this year compared to the sales in the previous year of all UK managed sites that were trading in the two periods being compared, expressed as a percentage. This widely used industry measure provides better insight into the trading performance than total revenue which is impacted by acquisitions and disposals.

		<b>2023</b>	2022	<b>Year-on-</b>
	<b>Source</b>	<b>28 weeks</b>	28 weeks	<b>year</b>
		<b>£m</b>	£m	<b>%</b>
Reported revenue	Condensed income statement	<b>1,281.9</b>	1,159.5	<b>10.6%</b>
Less non like-for-like sales and income		<b>(182.7)</b>	(146.3)	<b>24.9%</b>
<b>Like-for-like sales</b>		<b>1,099.2</b>	1,013.2	<b>8.5%</b>
Less like-for-like sales VAT benefit		-	(38.8)	-
<b>Like-for-like sales excl. VAT benefit</b>		<b>1,099.2</b>	974.4	<b>12.8%</b>

### Drink sales

		<b>2023</b>	2022	<b>Year-on-</b>
	<b>Source</b>	<b>28 weeks</b>	28 weeks	<b>year</b>
		<b>£m</b>	£m	<b>%</b>
Reported drink revenue	Note 3	<b>556.5</b>	483.9	<b>15.0%</b>
Less non like-for-like drink sales		<b>(69.1)</b>	(51.9)	<b>33.1%</b>
<b>Drink like-for-like sales</b>		<b>487.4</b>	432.0	<b>12.8%</b>

### Food sales

		<b>2023</b>	2022	<b>Year-on-</b>
	<b>Source</b>	<b>28 weeks</b>	28 weeks	<b>year</b>
		<b>£m</b>	£m	<b>%</b>
Reported food revenue	Note 3	<b>681.1</b>	627.3	<b>8.6%</b>
Less non like-for-like food sales		<b>(101.6)</b>	(79.7)	<b>27.5%</b>
<b>Food like-for-like sales</b>		<b>579.5</b>	547.6	<b>5.8%</b>

### Other sales

		<b>2023</b>	2022	<b>Year-on-</b>
	<b>Source</b>	<b>28 weeks</b>	28 weeks	<b>year</b>
		<b>£m</b>	£m	<b>%</b>
Reported other revenue	Note 3	<b>44.3</b>	48.3	<b>(8.3)%</b>
Less non like-for-like other sales		<b>(12.0)</b>	(14.7)	<b>(18.4)%</b>
<b>Other like-for-like sales</b>		<b>32.3</b>	33.6	<b>(3.9)%</b>

FY 2022 is the primary comparator for like-for-like sales. However, we have chosen to additionally disclose vs. FY 2019 performance, with FY 2019 being the last full year pre Covid-19. A comparison to FY 2019 was the approach taken at FY 2021 and FY 2022.

		<b>2023</b>	2019	<b>2023 vs.</b>
	<b>Source</b>	<b>28 weeks</b>	28 weeks	<b>2019</b>
		<b>£m</b>	£m	<b>%</b>
Reported revenue		<b>1,281.9</b>	1,185.5	<b>8.1%</b>
Less non like-for-like sales and income		<b>(186.8)</b>	(187.2)	<b>(0.2)%</b>
<b>Like-for-like sales</b>		<b>1,095.1</b>	998.3	<b>9.7%</b>



## B. Adjusted operating profit

Operating profit before separately disclosed items as set out in the Group Condensed Income Statement. Separately disclosed items are those which are separately identified by virtue of their size or nature. Excluding these items allows a more effective comparison of the Group's trading performance from one period to the next.

	Source	2023 28 weeks £m	2022 28 weeks £m	Year-on -year %
Operating profit	Condensed income statement	99	121	(18.2)%
Separately disclosed items	Note 4	1	(1)	200.0%
<b>Adjusted operating profit</b>		<b>100</b>	<b>120</b>	<b>(16.7)%</b>
Reported revenue	Condensed income statement	1,282	1,159	10.6%
<b>Adjusted operating margin</b>		<b>7.8%</b>	<b>10.4%</b>	<b>(2.6)ppts</b>

## C. Adjusted earnings per share

Earnings per share using profit before separately disclosed items. Separately disclosed items are those which are separately identified by virtue of their size or nature. Excluding these items allows a more effective comparison of the Group's trading performance from one period to the next.

	Source	2023 28 weeks £m	2022 28 weeks £m	Year-on -year %
Profit for the period	Condensed income statement	32	46	(30.4)%
Add back separately disclosed items	Note 4	1	(1)	200.0%
Adjusted profit		33	45	(26.7)%
Basic weighted average number of shares	Note 7	595	596	(0.2)%
<b>Adjusted earnings per share</b>		<b>5.5p</b>	<b>7.6p</b>	<b>(27.6)%</b>

## D. Net Debt: Adjusted EBITDA

The multiple of net debt as per the balance sheet compared against 52-week EBITDA before separately disclosed items which is a widely used leverage measure in the industry. From FY 2020, leases are included in net debt following adoption of IFRS16. Adjusted EBITDA is used for this measure to prevent distortions in performance resulting from separately disclosed items.

	Source	2023 28 weeks £m	2022 28 weeks £m
Net debt	Note 10	1,660	1,736
Adjusted EBITDA H1	Group condensed income statement	169	190
Adjusted EBITDA prior year H2*		183	217
Adjusted 52-week EBITDA		352	407
<b>Net debt : Adjusted EBITDA</b>		<b>4.7</b>	<b>4.3</b>

\*H2 measures are calculated from the income statement as the measure for the 52 weeks ended 24 September 2022 less the measure for the 28 weeks ended 9 April 2022